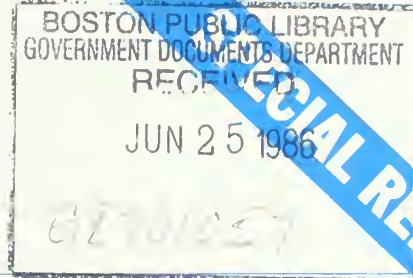


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*in reply on 4/3 no. add 51*

**BOSTON SCHOOL DEPARTMENT'S FISCAL 1987 PRELIMINARY BUDGET**

The Research Bureau's analysis of the large increments in the Superintendent's \$289.1 million Preliminary Budget has identified a total net savings of \$3.6 million. From this reserve the School Department should establish a non-specific reserve of \$1.6 million for unanticipated and unforeseen expenditures that will arise during the year. The balance of \$2.0 million should be added to the Alterations and Repair budget, increasing it to \$8.0 million. The School Committee should approve budget reductions of at least \$3.3 million. The Superintendent should present his plan to reduce the Transportation Account by \$3.0 million. The revenue base to support school operations should be established by the Mayor and the School Committee should be held accountable for living within its authorized spending level.

Budget Process

On April 11, 1986, the Superintendent released his Budget Perspective for the Boston Public Schools for the 1986-87 school year. The cost of continuing all fiscal 1986 programs and services at their current levels was estimated at \$18.0 million. In addition, the Superintendent recommended increases of \$15.7 million for collective bargaining (\$5.7 million), new programs for at-risk students (\$2.0 million), instructional materials (\$2.0 million), and maintenance and repair funds (\$6.0 million). To partially offset these increases, the Superintendent recommended reductions totaling \$10.9 million in Transportation (\$3.0 million), Central and School Based Administration (\$2.0 million), Secondary Staffing (\$2.0 million), and Facilities Utilization/School Closings (\$3.9 million). The Superintendent identified the need to reduce the budget an additional \$4.7 million, bringing the recommended budget down to \$288.0 million. However, no specific cuts were itemized.

The Boston School Committee rejected the Superintendent's school closing plan on May 6, 1986, and on May 14, 1986, the Superintendent presented his Preliminary Budget. This budget did not include the \$3.9 million in anticipated savings from school closings and it restored \$900,000 in proposed secondary staff reductions. The Superintendent's \$18.0 million maintenance of effort budget remained unchanged. However, the Superintendent's recommended reductions decreased from \$10.9 million to \$6.3 million. In addition, the Superintendent deleted from the budget the \$2.0 million for the at-risk program and the additional \$6.0 million for maintenance needs. Finally, to balance the budget at \$288.0 million, the Superintendent indicated that an additional \$1.3 million would have to be cut or raised in new revenue. The actual detailed Preliminary Budget recommendation is \$289,074,648.

Budget Analysis

The Bureau's review of the Superintendent's Preliminary Budget was limited to an analysis of the major increases in line item recommendations and is summarized in the table on page three. The Bureau's incremental analysis has identified a total net unallocated reserve of \$3.6 million. Of that amount, \$3.2 million is made up of salary savings and \$396,000 in non-salary overestimates primarily in the energy account. In budgeting salary expenses, the School Department, for the most part, fully funds each position for the entire year. The gross salary savings of \$4.3 million is achieved through delays in filling vacancies and from new employees entering the system at a lower salary than those

leaving the system. Offsetting the gross salary figure is approximately \$2.7 million in unbudgeted salary costs. A portion of these expenses was anticipated in a budgeted personnel reserve of \$1.6 million. For the purpose of this analysis the unbudgeted salary costs are offset by the salary savings and the budget reserve is considered surplus. The net non-salary savings is due to overestimates of energy and printing costs (\$821,000) which are offset, in part, by underestimates of transportation and employee benefits costs (\$425,000).

An adequate reserve for unanticipated and unforeseen expenditures should be included in the School Department budget each year. School officials have been unwilling to maintain adequate unspecified reserves. In Boston, it is difficult to budget for precise needs given the changing environment. For example, teacher and aide staffing requirements continually change as pupil enrollment projections change. Consequently, over the past few years, the School Department has relied on the surplus generated by attrition and new employee salary savings in order to create a reserve to cover both anticipated but not specifically budgeted items and unforeseen expenses.

#### Salary Savings

Salary savings are due to expected delays in filling vacancies and to new employees entering the system at a lower average salary than those leaving the system. Unlike the municipal side where many city departments budget as much as a 5% salary savings due to delays in filling vacancies, the School Department experiences less than a 2% vacancy rate. Furthermore, some School Department vacancies are not really vacancies as permanent substitutes replace absent teachers. In analyzing the vacancy issue, the firm of Arthur Young calculated gross savings from delays in filling vacancies at approximately \$3.0 million. Using vacancy reports provided by the School Department, the Bureau confirms this estimate.

For the year ended March 15, 1986, the average salary of entering and returning teachers was \$24,769. For the same period the average salary of teachers leaving the system was \$28,405. Assuming a turnover of approximately 275 teachers per year, this \$3,636 differential will yield an annual salary savings of approximately \$1.0 million. For non-teaching positions, like savings do not accrue in the same proportion because the minimum to maximum salary range is less great, and in the case of most para-professionals and other part time staff, there is no spread. For the Custodial and Administrative groups, marginal savings will be realized as old employees leave the system. These non-teacher attrition savings can be conservatively estimated at \$100,000.

The School Department used an average salary figure of \$31,746 in calculating the salary requirements for the 31.5 new teachers needed to meet the increase in student enrollment. The more appropriate salary estimate for new teachers entering the system is \$24,769 which is the actual average salary of the new teachers entering the system last year. Using the lower figure yields approximately \$220,000 in additional salary savings.

The aggregate salary savings of \$4.3 million is offset by approximately \$2.7 million in known salary requirements and contingent wage related liabilities not itemized within the Preliminary Budget for salaries. These unbudgeted costs include additional regular, bilingual, and special education teachers, instructional aids, and paraprofessionals needed to meet class size and compliance issues. Also included is a contingency for anticipated but unfunded overtime and arbitration awards. Many of these unbudgeted salary items were anticipated in a budgeted personnel reserve of \$1.6 million. This reserve can now be considered surplus and with the other salary savings produces a net salary savings of \$3.2 million.

#### Non-Salary Savings

The Bureau's review of non-salary accounts was limited to the incremental analysis of major budget adjustments. Net non-salary savings are estimated at \$396,000. An analysis of the Property Services category reveals overestimates in the following accounts: Heat, Light & Power (\$757,000), Telephone (\$61,000) and Water & Sewer (\$62,000). An offsetting item is Repair/Maintenance, where an additional \$159,000 may be required to pay for increased solid waste disposal charges. The Purchased Services category may be reduced



by \$100,000 due to the over budgeting in the Printing/Advertising account. However, the Transportation and Employee Benefits categories should be increased by \$175,000 and \$250,000 respectively.

The net salary savings of \$3.2 million and the non-salary savings of \$396,000 produces a total net savings surplus of \$3.6 million. Using this surplus, a revised maintenance of effort budget could be reduced to \$285.5 million.

Fiscal 1987 Preliminary Budget Request		\$289,074,648
Salary Savings		
Vacancies	(\$3,000,000)	
Attrition-Teacher	(1,000,000)	
Attrition-Non-Teacher	(100,000)	
New Teachers	(220,000)	
Total	(\$4,320,000)	
Unbudgeted Salary Costs		
Special Ed Staffing	\$800,000	
Bilingual Ed Staffing	400,000	
Regular Ed Classroom	300,000	
Special Ed Compliance Aids	200,000	
Custodial Overtime	300,000	
Security Overtime	100,000	
ETL Clerks	600,000	
Total	\$2,700,000	
Budgeted Personnel Reserve	(\$1,569,695)	
Net Salary Savings		(\$3,189,695)
Non-Salary Savings		
Property Services	(\$721,000)	
Purchased Services	(100,000)	
Total	(\$821,000)	
Unbudgeted Non-Salary Costs		
Transportation	\$175,000	
Employee Benefits	250,000	
Total	\$425,000	
Net Non-Salary Savings		(\$396,000)
Total Net Savings		(\$3,585,695)
Maintenance of Effort Budget Request		\$285,488,953
Allocation of Reserve		
Non-Specific Reserve	\$1,585,695	
Alterations & Repair Budget Increase	2,000,000	
Revised Fiscal 1987 Preliminary Budget	\$3,585,695	\$289,074,648

### Budget Assumptions

The Superintendent's Preliminary Budget is based on assumptions which if changed could require additional resources or additional budget cuts. The Transportation Account assumes a reduction of \$3.0 million. The Bureau has found no evidence to indicate that steps are being taken to insure this reduction. The salary account assumes that cuts of \$3.2 million in central administration, high school administration and secondary staffing will be approved by the School Committee. One aspect of these personnel reductions is that the School Department will be able to eliminate some 15 additional and unnecessary resident substitutes. These unbudgeted positions will cost the department \$450,000 in fiscal 1986, and if continued, will add an additional \$500,000 to fiscal 1987 requirements. The budget includes a \$5.7 million reserve for collective bargaining. That reserve will allow a salary increase of 3%. Each percent approved above the 3% will increase the budget requirements by about \$1.9 million.

### Revenue Budget

The revenue base to support the School Department budget in fiscal 1987 is uncertain. Base and supplementary appropriations constitute about 95% of the revenues this year with the remaining 5% coming from other revenue sources. The Mayor has recommended an appropriation of \$280.0 million for fiscal 1987, an increase of \$21.6 million or 8.4%. An additional \$6.4 million appears available from Equal Educational Opportunity, Impact Aid and Indirect Cost funds for a total of \$286.4 million. The current estimate of

\$6.4 million in non-appropriation revenues next year compares with expected revenues of \$11.7 million this year. Not yet clear are what funds may be available from current operations or prior year reserves.

#### Recommendations

1. The total net savings of \$3.6 million identified by the Bureau should be allocated for two purposes. First, a non-specific reserve of \$1.6 million should be established for unanticipated and unforeseen expenditures. The home rule petition approved by the Mayor and City Council last month will require the School Department to establish a reserve equal to 1% of the Department's current appropriation. Second, the remaining \$2.0 million should be used to increase the Alterations and Repair (A&R) budget from \$6.0 million to \$8.0 million. The Superintendent originally requested a budget of \$12.0 million. At least \$8.0 million is required to meet the School Department's minimal facility needs. Adding these two items to the budget will bring the total request back to the current preliminary budget recommendation of \$289.1 million.
2. The School Committee should approve \$3.3 million in reductions from the Preliminary Budget. The Committee should work with the Superintendent in developing a set of reductions that are mutually acceptable. The Superintendent has proposed cuts of \$3.3 million from central and school based administration (\$2.1 million), secondary staffing (\$1.1 million) and central supplies (\$100,000). These recommendations deserve serious consideration. The School Committee must demonstrate its commitment to prudently manage the City's resources by reducing less essential positions and programs. The Superintendent should present a detailed program to the School Committee to reduce the Transportation Account by \$3.0 million as proposed in the Preliminary Budget.
3. The revenue base to support the School Department budget in fiscal 1987 should be set by City and School officials as soon as possible. Uncertainty over the precise level of total funding will only delay cost cutting initiatives and the planning of new programs. Once the school revenue budget is established, the School Committee should be held accountable for living within its authorized spending level.
4. If resources are available, the \$2.0 million for programs for at-risk students should be added to the budget. If this program were made part of the operating budget, it would raise the total to \$291.1 million. However, use of school external funds for this program should also be explored.

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